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TWO DOLLARS

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RV BUSINESS

MAY/2

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Conversion Sales Leap; Chassis Tight

Van-conversion sales picked up strongly in this year's first quarter—to the extent that U.S. customizers are scrambling for chassis in the face of rather tight allocations from automakers.

This strong demand, fueled by Detroit incentives, reportedly exceeds the normal spring sales upswing and seems to bode well for the nation's converters, many of whom experienced sales that were less than sensational in 1987.

"It started to break loose in mid-February," reported Century Motor Coach Inc.'s President Jim Maxey, an Elkhart, Ind., converter. "That's about the time it normally picks up. But, I think, it broke with a few more orders than we expected this year."

Meanwhile, although auto manufacturers' plants are running at full tilt, with demand said to be particularly hot on the East Coast and in parts of the Midwest, strict chassis allocations are frustrating both large converters, such as Coachmen Vans, Elkhart, Ind., and smaller customizers, such as Turtle Top Inc., New Paris, Ind.

"Our problem is that allocations have been cut back at both Ford and Chevrolet for all the converters," noted Lane Vanduivenbooden, national sales manager for Turtle Top, one of Ford Motor Co.'s oldest bailment-pool members. "But that's nothing new," he said.

Mark Degnan, staff assistant for special vehicle sales at Detroit, Mich.-based General Motors Corp. (GMC), confirmed that inventories are "very lean, and, with the exception of motorhomes, all light-truck and bus plants are on overtime." Both commercial and recreational demand is up, he added, with compact and full-size vans in short supply.

Exacerbating the situation is a new policy by Warren, Mich.-based Chevrolet Motor Division, which limits deliveries of seat-delete vans to larger auto dealers. *(See related story on page 9.)*

Many converters also are wondering just how much of the spring surge is attributable

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COMPETING WITH THE BIG GUYS: Mass merchandisers and big RV specialty stores may seem intimidating, but RV retailers agree it is possible to successfully compete with a smaller, full-line RV parts and accessories store. See page 24.

DOT Secretary Urges Repeal Of CAFE Rules

Secretary of Transportation Jim Burnley announced that the U.S. Department of Transportation (DOT) has sent a renewed request to Congress asking that it consider repeal of corporate average fuel economy (CAFE) standards.

In a report to Congress, DOT noted that U.S. automakers had reached a combined 28.2 miles-per-gallon (mpg) CAFE standard for 1987, a figure that exceeds the legislative goal of 27.5 mpg. In view of that positive

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California Blocks Chevy '88 Chassis

Despite 11th-hour lobbying by General Motors Corp. (GM) and Fleetwood Enterprises Inc., the California Office of Administrative Law (OAL) in April denied an exemption that would have allowed the Chevrolet Motor Division to begin selling certain 1988 Class A and C chassis in California.

Chevrolet chassis that have 10,000- to 14,500-pound gross vehicle weight ratings do not meet California's stringent emission standards. As a result, Chevrolet hasn't been able to sell cutaways and some lighter Class A chassis in California since last fall when the new model year began.

Because of potential hardships on some employers, the California Air Resources Board (CARB) had enacted a new rule to permit sales of those chassis if Chevrolet paid noncompliance penalties (NCPs) to the state. But CARB, Chevrolet and Fleetwood failed to convince OAL, which reviews all new regulations, to allow the special exception for Chevy chassis. CARB has declined to appeal the OAL ruling.

OAL's denial was based on a state law that requires California to wait for the U.S. Environmental Protection Agency (EPA) to pass its own NCP program so that noncomplying automakers would not be subjected to double penalty payments to federal and state governments.

Warren, Mich.-based Chevro-

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COVER ILLUSTRATION: STEPHEN STERLING

A SUPER FEBRUARY: SHIPMENTS COME ON STRONG

MORTON J. MARCUS

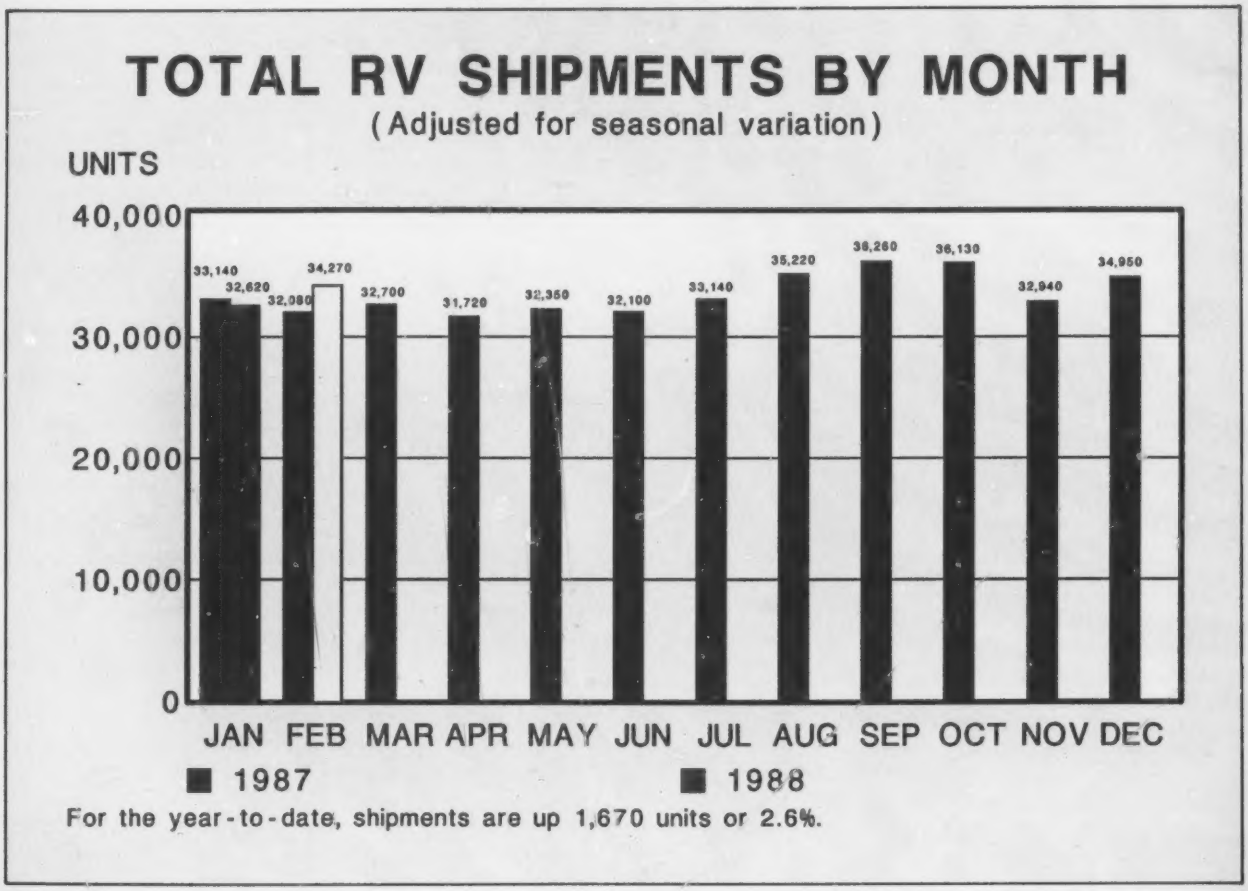

Figure 1

The famous February groundhog was wonderful to the RV industry this year. Or, if you prefer, the industry got a spectacular valentine in 1988.

After the slow start of January, total shipments picked up in February and more than wiped out the deficit of January. RVIA reported total shipments of 34,300 units.

Strangely, no trumpets were sounded. They should have been blaring loud enough to be heard from Elkhart in Indiana to Riverside in California. This was the largest number of units shipped in the month of February since 1978.

The total of units shipped in February 1988 was more than the combined totals of that month in 1981 and 1982. Only six Februarys in the past 20 years were better than this year's (1969, 1972, 1973, 1976, 1977 and 1978).

Once RVIA's raw data in February was adjusted, RV shipments still totaled 34,270 units. This was up from both the first month of this year and from the tally for February 1987. *(See Figure 1.)* As a result of the strong showing in February, total shipments were nearly 2,200 units ahead of the same month a year earlier, erasing the 500-unit shortfall with which the year began. Thus, only two months into 1988, total shipments are running almost 1,700 units ahead of the same period a year ago.

February, in this very seasonal business, is an average month. This can be seen from how close the RVIA total (34,300) is to the seasonally adjusted total (34,270). If we take this single month as an indicator of the year ahead, we might conclude that 1988 shipments will perform nearly 7% better than they did in 1987. That is, perhaps, excessively optimistic, but the signs are certainly good at this point.

Where's the Beef?

The joy of an RV industry analyst is the diversity of this business. *(See Figure 2.)* All classes of motorhomes and van conversions scored better results in

February than in January. Any weakness was confined to the towables, specifically fifth-wheels and folding camping trailers. All other classes of RVs advanced in the month.

For the first two months combined, however, fifth-wheels and fold-downs showed strong gains compared to the opening months of 1987: Fifth-wheels chugged along 22% ahead of last year, and folding units were up 15%. The lagging sector among the towables was the conventional travel trailer, down 12.5% for the year-to-date. The shortfall of 1,350 units in this group was more than offset by the gains in other towables, however, so that the towables group as a whole was 780 units ahead of 1987 by February 1988.

Among the motorhomes, the diversity was notable. As a group, motorhomes were down nearly 6%, or 650 units, for the new year, despite the fact that the two big-volume models, Class A's and Class C minimotorhomes, were both running ahead of last year. But the gains made by these units failed to offset the dramatic declines of the low-volume Class B and Class C low-profile and micro-mini units.

MARKET SHARE BY TYPE OF UNIT

(Year-to-date, adjusted for seasonal variation

	1988	1987
TOTAL RVs	100.0	100.0
Travel Trailers:		
Conventional	14.1	16.6
Park Models	2.0	1.9
Fifth-wheels	7.7	6.5
Folding Camping Trailers	11.1	9.9
Truck Campers	2.6	2.6
Motorhomes:		
Class A	9.3	9.0
Class B Van Campers	1.1	1.7
Class C		
Minis	4.4	4.4
Low Profile	0.4	0.7
Micro-minis	0.7	1.4
Multi-use Van Conversions	46.5	45.3

Detail may not add to total because of rounding.

Figure 3

Van conversions, meanwhile, were up by more than 5% so far in 1988. This improvement increased the market share of that group by a full point from their share in 1987 at the same point in time. *(See Figure 3.)*

Van conversions' market-share gain was part of an overall redistribution in the RV industry. While conventional travel trailers fell by 2.5 points, all towables retained the same market share that they had in 1987 at this time (37.5%). This balancing act was the result of gains within the towables group for fivers and folding camping trailers, which offset the conventional trailers' decline. The gains made by van conversions have come exclusively from motorhomes, exclusive of Class A units.

Mideast Oil: An Alert

Whenever we see such good news for the RV industry, as indicated by the February shipment data, we should recall that the world is not at peace. The continuing turmoil of the Mideast, the aging leadership in Iran, the war between that nation and Iraq, all suggest the potential for another dramatic rise in petroleum prices. Each time the Mideast flares into warfare, or there is a new imbalance in the delicate equilibrium of terror in that troubled area, there is the possibility of a shock to the RV industry.

No one can forecast such disturbing events, but none can ignore the risks of these times. The events of those distant lands may have more bearing on RV shipments in the remainder of 1988 than will the election of a new president or the policies of the Federal Reserve System. Δ

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RV SHIPMENTS BY TYPE OF UNIT

(Adjusted for seasonal variation)

TYPE:	FEB. 1988	PERCENT CHANGE FROM JAN.	YEAR-TO-DATE 1988	1987	PERCENT CHANGE
TOTAL RVs	34,270	3.1	86,190	86,470	-0.3
Travel Trailers:					
Conventional	4,760	1.3	9,460	10,810	-12.5
Park Models	680	0.0	1,360	1,250	8.4
Fifth-wheels	2,450	-9.8	5,160	4,220	22.4
Folding Camping Trailers	3,390	-16.7	7,460	6,450	15.6
Truck Campers	1,080	42.1	1,780	1,800	-1.0
Motorhomes:					
Class A	3,340	15.8	6,220	5,860	6.2
Class B Van Campers	450	62.8	720	1,100	-34.7
Class C:					
-Mini	1,510	4.2	2,950	2,890	1.9
-Low Profile	140	0.0	280	480	-42.7
-Micro-mini	310	146.5	440	930	-52.2
Multi-use Van Conversions	14,320	3.2	31,110	30,610	1.6

Note: Percentages are computed from unrounded data.

Figure 2

GRAPHICS:CUSTOM COLOR VISUALS